

Bachelor's Thesis (Turku University of Applied Science)

Degree in International Business

International Business Management

2013

Nicoleta Kaitazis

INTERNATIONALIZING TO UNITED STATES: THE MOTIVES AND MARKET ENTRY MODE CHOICES OF FINNISH BIOTECHNOLOGY COMPANIES



TURUN AMMATTIKORKEAKOULU
TURKU UNIVERSITY OF APPLIED SCIENCES

Nicoleta Kaitazis

INTERNATIONALIZING TO UNITED STATES: THE MOTIVES AND MARKET ENTRY MODE CHOICES OF FINNISH BIOTECHNOLOGY COMPANIES

Biotechnology is one of the fastest growing fields in Finland and it has predicted that in the future the field will play a significant role in Finland's GDP. Even so, Finland's home market is relatively small for Finnish biotechnology companies to grow and succeed. United States of America has the biggest market in the field of biotechnology as the majority of the companies as well as a large portion of the end-consumers are located there. Hence, many Finnish companies have internationalized to United States.

There are several internationalization theories. The Uppsala internationalization theory is one of the most classical ones where companies begin no regular export activities into having their own manufacturing units in the host country. Companies also tend to internationalize to countries closer to home in the beginning and moving further away as they grow. The network theory on the other than claims that companies internationalization from within the network they have been able to get in to. The most modern theory is the concept of Born Globals in which companies tend to internationalize immediately or very soon after its founding.

The motives to internationalize can be either reactive or proactive. Also the motive to internationalize can be affected by various home and host country factors, global factors, industry and company factors as well as decision-making factors.

Companies can internationalize to new market in many different ways. The possible market entry modes can be categorized based on the level of commitment needed as well as on the amount of resources available. The options are indirect export modes, direct export modes, non-equity-based modes and equity-based modes.

The main purpose of this study is to provide new information about the internationalization of Finnish biotechnology companies regarding their motives to internationalize to United States and their market entry mode choices. The target group of this thesis was three small biotechnology companies located in Turku, Finland. This research was conducted using qualitative research.

This research revealed that Finnish biotechnology companies internationalize due to the fact that the Finnish home market is too small. Also the research showed that companies have used various different market entry modes in United States varying from direct sales into having offices there.

KEYWORDS:

Internationalization United States Finland Biotechnology company Motives Market entry modes

Nicoleta Kaitazis

KANSAINVÄLISTYMINEN YHDYSVALTOIHIN: SUOMALAISTEN BIOTEKNOLOGIAYRITYSTEN MOTIIVIT JA OPERAATIOMUODOT YHDYSVALLOISSA

Bioteknologia on Suomen kasvavin ala, jonka kehitys on povattu vaikuttavan Suomen bruttokansantuotteeseen suurissa määrin tulevaisuudessa. Kuitenkin Suomen markkinat ovat pienet, jotta bioteknologian yritykset voisivat täällä menestyä. Yhdysvallat on bioteknologia-alan suurin markkina-alue, jossa sijaitsee alan suurimmat yritykset sekä myöskin valtaosa asiakkaista. Sen seurauksena myös moni suomalaisyritys on kansainvälistynyt sinne.

Erilaisia teorioita kansainvälistymisestä on monta. Yksi klassisimmista teorioista on Uppsalan kansainvälistymismalli, jossa yritys aloittaa kansainvälistymisen naapurimaista ja siirtyy siitä vähitellen kauemmas yhä haastavimpiin maihin ensin epäsäännöllisellä viennillä ja kasvaessaan jopa oman tuotannon aloittaminen kohdemaassa. Verkostoitumismallissa puolestaan yritys kansainvälistyy kansainvälisen verkostonsa kautta. Born Globals – konsepti on nykyajalle sopiva kansainvälistymismalli, jossa yritys aloittaa kansainvälisen liiketoimintansa heti tai hyvin pian yrityksen perustamisen jälkeen. Internetin ja nykyaikaisen infrastruktuurin myötä jopa pienetkin yritykset pystyvät toimimaan globaalisti.

Kansainvälistymisen taustalla voi olla joko reaktiivisia tai proaktiivisia motiiveita. Myös marko-, meso-, mikro ja millimikrotekijät vaikuttavat kansainvälistymiseen.

Yritys voi kansainvälistyä uusiin markkinoihin monella eri tavalla. Mahdolliset operaatiomuodot voidaan luokitella tarvittavien resurssien ja sitoutumisen perusteella. Vaihtoehtoina on epäsuora vienti, suora vienti, välitön vienti ja omat tuotantoyksiköt.

Tämän opinnäytetyön pääasiallisen tarkoitus on tarjota tietoa suomalaisten bioteknologiayritysten kansainvälistymisen motiiveista ja operaatiomuotovalinnoista Yhdysvalloissa. Työni kohdeyrityksinä käytettiin kolmea pientä turkulaista bioteknologiayritystä. Tutkimuksessa käytettiin kvalitatiivista tutkimusmenetelmää.

Opinnäytetyössä käy ilmi, että suomalaiset bioteknologiayritykset kansainvälistyvät kotimaan markkinoiden pienuuden takia. Suurin motivaattori on, että kaikki potentiaaliset asiakkaat ovat ulkomailla. Tutkimuksen perusteella suomalaiset bioteknologiayritykset kansainvälistyvät Yhdysvaltoihin käyttäen hyvin erilaisia operaatiomuotoja, vaihdellen suorasta viennistä oman toimipisteen rakentamiseen Yhdysvalloissa.

ASIASANAT:

Kansainvälistyminen Yhdysvallat Suomi Bioteknologiayritys Motiivit Operaatiomuodot

CONTENT

CONTENT	4
CLICK HERE TO ENTER TEXT.	6
1 INTRODUCTION	6
1.1 A general overview of Finnish exports to United States	6
1.2 Doing business in United States	8
1.3 Biotechnology in Finland and in United States	8
1.3.1 Biotechnology in Finland	9
1.3.2 Biotechnology in United States	10
1.4 The purpose and limitations of the study	11
1.5 Outline of the study	13
2 KEY CONCEPTS AND THEORIES OF INTERNATIONALIZATION	14
2.1 Key concepts of the study	14
2.1.1 Internationalization	14
2.1.2 SME's	16
2.2 Internationalization theories	17
2.2.1 The Uppsala internationalization theory	18
2.2.2 The network theory	21
2.2.3 Born Globals	23
3 THE MAIN DRIVERS OF INTERNATIONALIZATION	26
3.1 Reasons and motivations behind internationalization	26
3.2 Dissemination of motives and factors in internationalization	27
3.3 The methods of internationalizing	31
3.3.1 Market entry modes	31
3.3.2 Indirect export modes	32
3.3.3 Direct export modes	34
3.3.4 Non-equity-based modes	34
3.3.5 Equity-based modes	36
4 RESEARCH APPROACH AND METHODS	38
4.1 Research design	39
4.2 Pilot test	40
4.3 Data collection	40
4.4 Evaluation of the study	41
5 FINDINGS	43

5.1 Internationalization of Finnish biotechnology companies	44
5.2 Motives to internationalize to United States	46
5.3 Market entry mode choices of Finnish companies	46
6 CONCLUSIONS	51
6.1 Critical evaluation	53
6.2 Further research suggestions	54
SOURCE MATERIAL	55

APPENDICES

Appendix 1. Interview questions in English

Appendix 2. Interview questions in Finnish

FIGURES

Figure 1. Finnish export to United States	7
Figure 2. Structure of the thesis	13
Figure 3. Factors influencing exporting, internationalization and globalization	28

TABLES

Table 1. Selected definitions of internationalization	15
Table 2. Definition of SME's	16
Table 3. Motives for internationalization	27
Table 4. Key findings of the research	49

CLICK HERE TO ENTER TEXT.

1 INTRODUCTION

1.1 A general overview of Finnish exports to United States

In today's rapidly changing global world nearly every company has to internationalize (Äijö, 2008, 15). Internationalization is a complex process that requires a lot of effort to execute successfully. Even so, international expansion provides new and potentially more profitable markets; it helps increase the firm's competitiveness and facilitates access to new product ideas, manufacturing innovations and the latest technology (Hollensen, 2004, 3). Thus, the internationalization process has become part of the natural growth and development pattern for companies (Äijö, 2011, 12) and accordingly many Finnish companies, when the domestic market becomes too small, have also searched for new markets abroad when they have wished to continue growing.

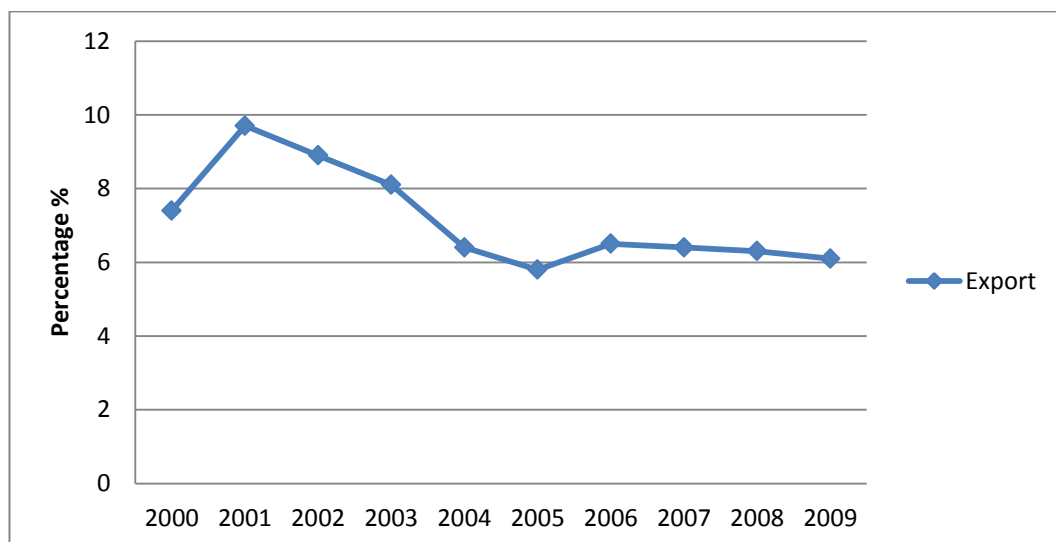
During the 1990's Finnish companies started to invest strongly towards the American market (Seristö, 2002, 18). Since then, numerous Finnish companies have expanded their operations to the U.S. –market and over time United States has become Finland's fourth largest trading partner after Sweden, Germany and Russia (Finnish Customs, 2011[referred to 26.2.2012]). United States share in exports has fluctuated from 3 to 9,7 percent in during 1964 to 2009 (Kotilainen, et al., 2009, 75). In 2009 the share was 6,1 percent making United States the most important trading partner outside Europe (Finnish Customs, 2009 [referred to 26.2.2012]).

The American market is one of largest markets in the world, providing countless business opportunities for companies worldwide. The constant interest towards the American market can be well explained by the unique structure of its market: the market consists of many different consumer markets, each having its distinct tastes, purchasing behaviors, distribution systems, regulations and climates (Startup Overseas, 2010[referred to 6.4.2012]). United States is a

high-income OECD country with the population of 309 million people (World Bank, 2010 [referred to 5.3.2012]).

Usually foreign trade tends to concentrate on the countries not only physically closer but also culturally closer to the domestic market. Taking into consideration how far United States is and the slight differences in cultures, the significance of United States to Finnish exporting can be considered important. About two percent of the Finnish GDP derives from exports to United States (U.S. Department of State, 2012 [referred to 26.2.2012]). The amount of exports has fluctuated very little over the years, and even though in recent years exports to United States has decreased (Figure 1), the changes can be considered quite insignificant. The decrease in exports can be explained by the financial crisis that hit the American market and the rest of the world in 2008, making the market less desirable for Finnish companies to export into. Also the Euro-crisis has affected the ability to internationalize as companies nowadays seem to have less resources to invest into exporting.

Figure 1. Finnish export into United States
(Source Finnish Customs, 2009)



Thus, it comes as no surprise that biotechnology companies have also been interested in expanding their operations to United States.

1.2 Doing business in United States

United States of America consists of 50 states with a population of 307 million people (Communicaid, 2009 [referred to 1.6.2013]). Its capital city is Washington D.C and its official language is English. It is the third largest country in world in both size and population (Communicaid, 2009 [referred to 1.6.2013]). Today, United States is a multicultural country with strong Mexican influence which is represented by in various subcultures around the country.

American culture is very emphasized on individual inventiveness and personal achievements. People are independent and self-confident and people are judged based on their achievements which also determines one's status in the society.

Punctuality is considered really important in business life and meeting and deadlines are followed strictly. A large majority of the Americans tends to work really long days and they have a high work ethic.

Office hierarchy within an American company is extremely important and thus it's essential to know the rank and titles of all the members of the organization (Communicaid, 2009 [referred to 1.6.2013]). Decisions are usually made by one person and they are done quickly.

1.3 Biotechnology in Finland and in United States

In this chapter the field of biotechnology is being observed from a country-perspective. A look into where the field stands in both of the countries is being looked at.

The field of biotechnology is a constantly growing field not only in Finland but also worldwide. Biotechnology refers to the utilization of science and technology into living organisms (OECD in Leväsluoto 2007, 8). Biotechnology Industry

Organization defines biotechnology as a technology based on biology - biotechnology harnesses cellular and biomolecular processes to develop technologies and products that help improve our lives and the health of our planet (Biotechnology Industry Organization, 2013 [referred to 12.4.2013]). The Organization for Economic Cooperation and Development (OECD, 2005) define biotechnology as “the application of science and technology to living organisms, as well as parts, products and models thereof, to alter living or non-living materials for the production of knowledge, goods and services.” This definition is used in this thesis due to its broadness. Biotechnology can be cut down into smaller fields like preclinical and clinical research, biomaterials, diagnostics, drug discovery and development.

1.3.1 Biotechnology in Finland

Some of leading biotechnology companies are from Finland and one can say Finland has a top-class knowledge and know-how in this particular field. The development of biotechnology started in the mid-1980 when universities chose biotechnology and molecular biology as their prime study-fields (Bioteknologia info, 2013 [referred to 12.4.2013]). At the same time Tekes launched their first technology program related to biotechnology, which boosted the development of the field (Bioteknologia info, 2013 [referred to 14.5.2013]) by handing in companies either financial support or marketing support.

Finland has about 150 companies operating in biotechnology, out of which over half were established within the last five years (Bioteknologia info, 2013 [referred to 12.4.2013]). Most of the Finnish companies are small in size; mostly employing 5-30 employees each and their operations are related to health care. A majority of the biotechnology companies in Finland are operating globally and have a large client-base that reaches the whole world this is due to the fact that the Finnish market is small thus most of the companies have to direct their operations abroad from the beginning (Bioteknologia info, 2013 [referred to 14.5.2013]). According to Bioteknologia info finding partners

globally is crucial for small companies who mostly finance their operations in Finland by licensing, contracting or joining big international companies (Bioteknologia info, 2013 [referred to 14.5.2013]).

Biotechnology is expected to grow and the companies have good networks, which helps when companies want to apply their new technology in different markets. What has to be noted is that for a biotechnology company expanding can be really expensive thus financial support from early on is fundamental (Bioteknologia info, 2013 [referred to 14.5.2013]).

BioTurku, from where all of the companies taking part to this study were chosen from, is the leading biotechnology cluster in Finland – it's comprised of 90 companies of the 150 existing in Finland (TurkuSciencePark, 2013 [referred to 12.4.2013]). Turku thus has a larger concentration of biotechnology companies.

1.3.2 Biotechnology in United States

The United States on the other hand is one of largest markets and has leading consumers of biotechnology products in the world (Select USA, 2013 [referred to 12.4.2013]). Over 1300 companies operate in the field (Select USA, 2013 [referred to 12.4.2013]) and the number is constantly growing.

As seen from the research, Finnish companies have big motivation to operate in the US –market since it's not only the biggest market but also the place where most of the consumer inhabit. The business opportunities are numerous for small and medium-sized enterprises, universities and search institutions (Select USA, 2013 [referred to 27.4.2013]). Medical Biotechnology is the largest component of the biotechnology industry (Select USA, 2013 [referred to 27.4.2013]). The most concentrated areas are in California and Boston.

Even though there are certain concentrated areas, customers are located around United States. United States is a huge country that has 50 states within

it. Being located in one side of country, either west coast or east coast doesn't guarantee access to all the customers. The distances are so long that it takes time to get products from one coast to another. Thus time and effort should be taken to choose the right location.

1.4 The purpose and limitations of the study

The motivation for this research came from the interest in the American market and more precisely on Finland's presence there. The field of biotechnology was chosen due to its big presents in the Turku areas where the author of this thesis lives. The topic of this thesis has molded as it has been written to capture an interesting research question. Doing a research that could possibly enhance the operations of Finnish biotechnology companies in America was an important aspect when starting the research. After several discussions with various experts of the field and the professors in the university, the topic of this thesis came about. This study has a personal objective as well as a growth and development one, since this is thesis was done as a graduate work to Turku University of Applied Science.

This study aims at describing the internationalization of Finnish biotechnology companies from Turku-area, mainly focusing on the motives behind the interest in the American market. Secondly, this study targets at taking a deeper look into the internationalization process of Finnish biotechnology companies into United States in terms of entry mode choices. At the end of this research, there should be a better understanding of the motivational factors affecting the willingness of Finnish biotechnology companies to expand to the U.S. – market and the entry modes used by these companies.

The internationalization literature has been mainly focusing on reviewing the process from the perspective of large multinational companies operating in other fields than biotechnology. The field of biotechnology consists of small companies and thus perhaps the interest to research them has been very small.

When it comes to literature about smaller companies, most of the studies have been focusing on the internationalization of Finnish small and medium enterprise into the European market (Heiskanen 2006; Johansson&Vanhaselkä 2010). In recent years thought few university studies have been made on the internationalization of biotechnological companies like the research of Johanna Leväluoto (2012) from Tampere University of Applied Science.

Several concepts and theories were reviewed for the purpose to fully recognize the process of internationalization as well as to understand the purpose for companies to internationalize. The main theories studied in this thesis are the internationalization theories, which are used as the framework for this study. In other words the main research question in this thesis has been expressed as:

What are the main motivational factors and market entry modes used by Finnish biotechnology companies from the Turku area when internationalizing to United States?

There are several sub-questions associated with this topic:

- What are the main motivational factors for to internationalize to the U.S. –market?
- What are the main market entry mode choices?
- How will the size and resources affect the motivation and entry mode choices when expanding to USA?

The study will form the theoretical framework of internationalization by looking into the concepts of internationalization theories, reasons and motives of internationalization and entry mode choices. However, barriers to internationalization, market choice, firm's competitiveness on international markets and marketing strategies are left out from the theoretical framework of this study. This study is focusing solely on biotechnology companies' origin from Turku-area. This is done narrow done the focus on this thesis.

1.5 Outline of the study

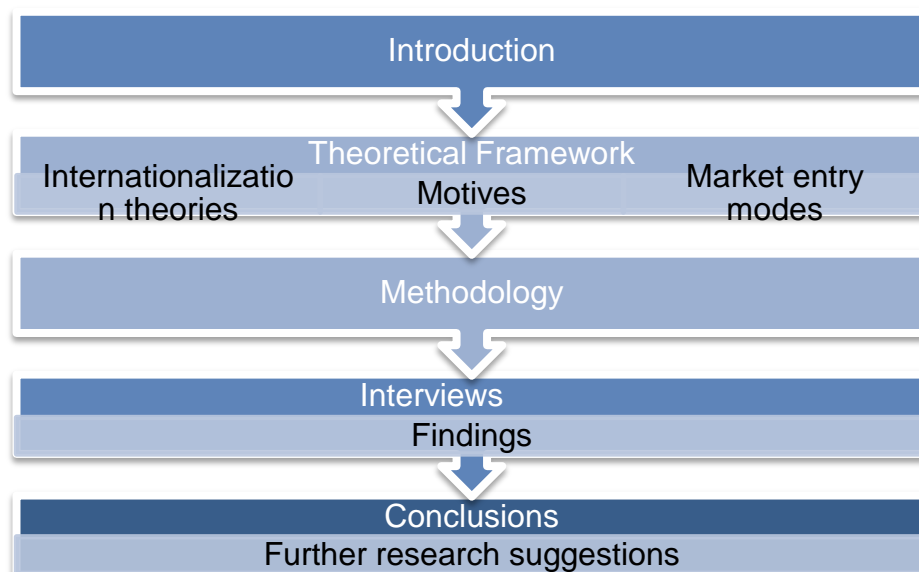
Chapter one of this study introduces the American business culture, the field of biotechnology in Finland and United States, takes a general look at Finnish export in United States and also discusses the purpose of the study. Secondly, the first chapter of this study represents the outline of the study.

Chapter two begins with the overview of the key concepts for this study. Later, it discusses the different internationalization theories existing according to recent literature. Chapter three takes a look behind the possible reasons why companies want to internationalize by categorizing the various motives of expansion. The third chapter also gazes at the different methods of internationalizing.

In chapter four the research design is showcased as well as the introduction of the data collection and data analysis methods are done. Lastly it takes the reader step by step how the research was conducted.

Chapter five, is devoted to describing the findings of the research. While the last chapter, chapter six concludes the thesis in addition to highlighting further research opportunities.

Figure 2. Structure of the thesis



2 KEY CONCEPTS AND THEORIES OF INTERNATIONALIZATION

This chapter examines the different internationalization theories, and takes a look into how companies begin internationalizing. The aim of this chapter is to build a theoretical base about internationalization by starting with the definition of the topic. After that, three different internationalization theories are being introduced.

2.1 Key concepts of the study

2.1.1 Internationalization

In this study one of the key concepts is internationalization. The importance of defining the key concept of the study is highlighted by the different understanding of the term and thus seen as appropriate to explain. Therefore, in the beginning of this chapter the key concept of the study is briefly introduced as it includes many factors discussed later on in this research.

The concept of internationalization has varied overtime and even today there isn't a standardized definition of it. Depending on the century in question internationalization has meant different ways of doing business abroad. In his paper Matlay (2006) put together some of the main definitions of internationalization (Table 1), which is a good representation of how, the concept of internationalization has been and still is in constant development. As a term, internationalization will be continuously changing and thus not only reflecting the way companies positions themselves in the international markets but it also acts as a reflection to the globalism of the world. Matlay (2006) claims

that the term of internationalization was first developed in 1920s when it replaced imperialism as the dominant organization principle. Overtime, Internationalization has been defined as the process of increasing involvement in international operations (Luostarinen & Welch, quoted in Haahti, Hall & Donckels, 1998, 19 [referred to 6.3.2012]) but it has also been viewed as a synonym for geographical expansion of economic activities over national country's border (Matlay, 2006, 477). Similarly, Hollensen (2004) states that internationalization occurs when the firm expands its R&D, production, selling and other business activities into international markets. Also it's important to underline that the term internationalization does not only refer to the export activities but is also a concept for imports and subcontracting (Johansson & Vahvaselkä, 2010, 23). In this research however, the focus is solely on export based internationalizing which includes foreign direct investment. In this paper, the definition of Johansson and Vahle (1993) and also the definition of Lehtinen and Penttinen (1999) are used to define internationalization.

Table 1. Selected definitions of internationalization
Source: Matlay, 2006, 479 referred to 8.4.2012

Author	Definition	Focus
Welch and Luostarinen (1993)	Internationalization is the outward movement of a firm's international operations	Process, firm's operations
Calof and Beamish (1993)	Internationalization is the process of increasing involment in international operations	Process, firm's operations
Johansson and Mattson (1993)	Internationalization is the process of adapting firm's operations (strategy, structure, resource etc.) to international environments	Process, firm's operations
Johanson and Vahlne (1990)	Internationalization is a cumulative process in which relationships continually established, developed, maintained and dissolved in order to achieve the firm's objectives	Relationships, process
Lehtinen and Penttinen (1999)	Internationalization is developing network of business relationships in other countries	Networks and relationships

	through extension, penetration and integration.	
Lehtinen and Penttinen (1999)	Internationalization concerns the relationships between the firm and its international environment, derives its origin from the development and utilization process of personnel's cognitive and attitudinal readiness and is concretely manifested in the development and utilization process of different international activities primarily inward, outward and cooperative operations	Relationships, firm's operations process, int. environment
Ahokangas (1998)	Internationalization is a process of mobilizing, accumulating and developing resources stocks for international activities	Resources, process

2.1.2 SME's

Another important concept is the concept of small and medium sized enterprises or in short SME's, which will be used from now on in this thesis. It is assumed in this thesis that most of the Finnish biotechnology companies are small in size thus it is important to define what SME's are.

The European Commission has defined SME's by determining it based on certain factors which are the number of employees and turnover (European Commission, 2013 [referred to 28.5.2013]):

Table 2. Definition of SME's

Source: European Commission, online, referred to 28.5.2013

Company category	Employees	Turnover
Medium-sized	< 250	≤ € 50 m
Small	< 50	≤ € 10 m
Micro	< 10	≤ € 2 m

The European Commission has categorized SME's into three different types. A micro-sized company has under ten employees and has a turnover of less than or equal to two million euros.

A small-sized company has more than 10 employees but less than 50 employees and its revenue and total assets are less than or equal to ten million euros.

Thirdly, a medium-sized company is an enterprise that employs more than 50 employees but less than 250 people and has a turnover of less than or equal to 50 million euros.

The biotechnology companies in Finland are thought to fall under all the sizes of SME's. Thus in this thesis when referred to a SME all of the possible company sizes are included.

2.2 Internationalization theories

In the literature appears several internationalization theories aimed to describe the internationalization process of companies. The oldest ones date to the 1950 and they target the internationalization of multinational enterprises (MNE's) (Matlay, 2006, 480). At that time only larger companies, with the required funds, were able to internationalize. Also at the time theories were mostly viewed from an economic point of view. Then came theories like the traditional marketing approach by Penrose in 1959 and the transaction theory written by Coase in 1973, which were a combination of various internationalization theories. Lastly came the eclectic paradigm by Dunning (1980), which described the internationalization theory with the help of the OLI-paradigm (Hollensen, 2004, 51-52). The theories mentioned above were dominant and widely used in describing the internationalization of MNE's. As time progressed theories developed more and started to view internationalization also from a management perspective. However today more and more small to medium-sized enterprises are internationalizing making these theories inapplicable to

represent the steps of internationalization for these types of firms. Thus, in 1970 a new stream of research on internationalization focusing on small to medium-sized enterprises came about existing in the Nordic countries (Matlay, 2006, 482).

In this study, the focus is on the more contemporary researches, which describe the internationalization of SME's. Since most of the Finnish biotechnology companies are small in size it is important to take that aspect into consideration. Thus it is important to find the models that most accurately describe their internationalization processes.

The most dominant theories today are the Uppsala internationalization theory by Johanson & Vahlne in 1977 and the Born Global theory by Oviatt and McDougal in 1994. A third theory that is considered important by the author of this thesis is Johanson & Mattson's network theory (1988), which was further developed in 1998 by Mattson & Hertz. The network theory represents a new form of internationalization as the attention focuses on the internationalization in networks (Hollensen, 2006, 51).

All of the three theories mentioned above have been chosen for this research due to the fact that they represent the most accurately the internationalization paths of companies nowadays. The process of internationalization has changed over the years and nowadays also small and medium enterprises internationalize – some choose to do so through traditional paths, which is in this study represented by the Uppsala theory and others choose more modern ways described by the network and Born global – theories.

2.2.1 The Uppsala internationalization theory

Three Swedish professors from the University of Uppsala developed the Uppsala internationalization theory. Johanson and Wiedersheim developed the first model in 1975, which was then further developed from the collaboration of Johanson and Vahlne in 1977. Similar ideas aroused around the same time in

other Nordic countries, most notably in Finland by Ahokangas and Korhonen (Antoncic, Hisrich & Ruzzier, 2006, 482). The idea behind this model is that companies begin internationalization by taking small baby steps, due to insecurities and uncertainty, towards international markets, and thus slowly moving from countries physically closer to the home country to countries with a larger physic distance. Put in another way, the model represents the firm's choice of market and form of entry when going abroad (Hollensen, 2006, 52). The model explains the internationalization of a company as a learning based, long-term development process (Vahvaselkä, 2009, 23).

The model thus explains the several stages companies go through when internationalizing, moving towards higher and higher commitment to foreign markets. Due to different types of learning, companies start slowly getting involved in international markets (Antoncic, Hisrich & Ruzzier, 2006, 482). According to Hollensen (2006) the main consequence of this model is that firms tend to intensify their commitment towards foreign markets as their experience grows. An important concept to this model is the so-called psychic distance different countries have when compared to one another. The psychic distance means that companies international market which are psychically closer to the home country (Vahvaselkä, 2009, 24). As the company gets more experience in international markets, it will start moving towards countries further away with even bigger psychic distances.

Experimental knowledge gained only through personal experience is an important factor in this theory as it is a critical kind of knowledge in international marketing (Whitelock, 2002, 342). In addition to moving to countries further away as the amount of knowledge increases, companies also tend to shift towards more demanding entry modes.

The model has four stages that represent the internationalization process of companies:

Stage 1: No regular export activities (sporadic export)

Stage 2: Occasional exporting

Stage 3: Export via independent representatives (export modes)

Stage 4: Establishing a foreign sales subsidiary

Stage 5: Foreign production/manufacturing unit

(Vahvaselkä, 2009, 24)

As companies move from one stage to another, the amount of resources and commitment to the process increases. Naturally as the companies' progress in their internationalization process, more knowledge and experience is gained. Thus at every new stage the company is more experienced and has more knowledge than previously.

The asset of this model is in its avoidance of too strictly defined stages (Vaahtoranta, 2011, 24) which allows it to be applied to various kinds of companies.

It is though important to note that the internationalization theory doesn't take into consideration the market situation and the competition in the market, which are crucial in terms of success in the market. Axinn and Matthyssens have criticized the Uppsala internationalization model. They say that Johanson's and Vahlne's concept of physic distance is limited: e-commerce expands markets almost without regard to geography or culture (Axinn & Matthyssens, 2001, 443). Also the model has been give critique that it is build to explain the internationalization of multinationals and not small and medium sized enteriprises which are now dominating the world market (Axinn & Matthyssens, 2001, 443). Instead companies are becoming more complex in their way of internationalizing and a traditional method might not necessarily describe well the behavior of these companies. The model is said to lack explanatory power in many cases it's been tried to apply (Vaahtoranta, 2011, 20) thus it is important to take a look at other various options too like the network theory.

2.2.2 The network theory

The network theory is based on the idea that companies are part of networks that they need to maintain and develop. This model differentiates from the previously mentioned Uppsala model by not concentrating only in the autonomy of the firm in developing international activities (Whitelock, 2002, 344) but instead is focused on how companies establish and develop positions in relation to other counterparts in a foreign network (Antoncic, Hisrich & Ruzzier, 2006, 485). Especially SME's, whose biggest problems are lack of resources, knowledge and experience in international markets, are able to internationalize through networking (Vahvaselkä, 2009, 24).

Hollensen (2006) states that the basic assumption of the theory is that the internationalization cannot be analyzed as an isolated actor but has to be viewed in relation to other actors in the international environment. According to Johansson and Mattson, the emphasis of internationalization is on the gradual learning and development of market knowledge through the network (Johansson & Mattson in (Antoncic, Hisrich & Ruzzier, 2006, 484). This means, that companies can learn from other companies who are in the same network and thus be able to create international activities through and within the network. There are many different types of networks a company can be part of. Companies tend to have a relationship with other firms both at a horizontal and vertical level. These relationships play an important role in the internationalization of companies and occasionally companies can be very dependent on their networks for their internationalization to succeed.

Vahvaselkä (2009) categorizes the possible networks based on the needs and recoverability of internationalization into business networks, communication networks and social networks. Business networks are formed by companies and organizations that do business with one another. Communication networks are formed between individuals and organizations. These networks are important for market intelligence but there's no business operation within them. Lastly, Social networks are born within time between the management and individual workers through family and friends (Vahvaselkä, 2009, 24).

According to Hollensen (2004) to enter a network from outside requires that the other actors are motivated to engage in such an interaction. Sometimes companies might even find it though hard to enter such a network as it is resource demanding and could potentially require several firms to make adaptations in their way of performing business (Hollensen, 2004, 60). Being part of a network allows companies not only to be able to start business in a foreign country but it also permits the use each other in order to gain competitive advantage. The network doesn't necessarily have to operate within a single country. Instead it can go beyond country borders. According to the theory though international activities don't begin until a company is part of a domestic network (Hollensen, 2004, 61). Thus companies wanting to internationalize can use their domestic networks to pursue international relationships with foreign networks.

Multiple companies are linked to each other by exchange relationships forming a network from where a company can seek solutions to its needs and capabilities (Hollensen, 2004, 60). According to Hollensen (2004) the actors are tied to each other through number of different bonds: technical, social, cognitive, administrative legal and economic (Hollensen, 2004, 60). The social and cognitive ties are mostly related to the personal relationships companies can form between themselves as their representatives interact.

The model identifies four stages of internationalization: the early starter, the late starter, the lonely international and international amongst others (Antoncic, Hisrich & Ruzzier, 2006, 485). According to Hollensen (2004) the internationalization process within the network theory will progress at a much faster rate when compared to other theories. The early starter stage refers to a situation where there are no international relationships between players in the domestic and foreign market. On the stage on the other hand international relationship have been formed but the internationalizing company is still yet the only one interested in international activities. The late starter again refers to a situation where the company is "pulled out" from the domestic market into international ones (Hollensen, 2004, 63). The last stage, international among

others, allows the company to fully explore the networks it's part of and move along them.

The network model has received some critique as well even though it can be applied to various companies. Björkman and Forsgren criticized the network theory for its inapplicability to smaller companies, its limited strength for understanding the pattern of internationalization and of having indistinctive criteria for differentiating between different types of firms (Björkman and Forsgren in Vissak, 2013, 7)

2.2.3 Born Globals

Born Globals is a 21st century concept of internationalization. As the world has become more and more international, the way of doing business has been modified - the concept of Born global was developed to describe this new mode of internationalization seen in today's world. Born globals refers to companies that have international activities from the very beginning of their existence. Most Born globals are SME's (Vahvaselkä, 2009, 33). Oviatt and McDougall defined Born globals as a firm that from its inception derives competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt and McDougall (1994) in Hollensen, 2006, 67). In other words, Born globals are companies whose business activities are not restrained only inside their home country market but instead they are immediately including foreign countries in their scope.

Born globals have been characterized based on within how many years after the foundation of the company the internationalization began – for Born globals it's usually within 2-3 years – and how big is the revenue coming from export activities – for Born globals it's more than 25% (Vahvaselkä, 2009, 34).

It is assumed that the background of the founder, i.e. the decision maker in the company, has a large influence on internationalization (Hollensen, 2004, 68). Thus, founders with an international background and skills are more likely to

deprive their company towards international markets from the very beginning. According to Hollensen (2004) market knowledge, personal networking of the entrepreneur, international contacts, experience transmitted from former occupations, relations and education are examples of international skills that are obtained before the foundation of the firm that play a role in the internationalization of the firm. Hollensen also mentions that education, experience from living abroad, experience from other internationally oriented jobs are molding the mind of the founder towards internationalization and are decreasing the psychic distance.

The core aim of these companies is to become international competitors from an early stage. They look at the whole world as a single, global market instead of breaking it down into smaller segments. Usually companies that operate in the technological industries are the ones who can be classified as born global, since they reach for costumers all over the world and are usually operating in a niche market.

Most born globals are thought to be internet-based companies, which means that companies usually have their production and offices in one country and they ship internationally to worldwide-customers. In recent years this idea has changed and especially in the field of biotechnology there's a rapid internationalization abroad from the very early stages of the company's existence. The products Born globals nowadays have are usually high-tech – products or designed for niche markets. They are also hard to copy.

Some of the main reasons why the concept of Born globals is becoming more apparent are the increase role in niche markets, advances in process and technology production, the flexibility of Born globals, global networks, advances and speed in information technology (Hollensen, 2004, 69). This applies very well to biotechnology companies. Technology today allows companies to form networks with other companies worldwide quickly and effortlessly and also forming efficient distribution channels (2010, 70).

In this thesis it is assumed that most of the biotechnology companies are Born globals since the products they are offering and the amount of clients in Finland could potentially lead to companies quickly researching for more profit abroad.

3 THE MAIN DRIVERS OF INTERNATIONALIZATION

This chapter tries to describe why companies internationalize. The various motives to internationalization are explained.

3.1 Reasons and motivations behind internationalization

Behind the decision to internationalize, every company has various motives and reasons to start their internationalization process. Motivation is crucial for a successful internationalization and naturally the initiator of the whole process. The motivation to internationalize is a strong stimulus for companies to seek new potential markets abroad.

Usually, there are several motives that drive companies to expand their operations abroad. Most often there are multiple factors that act as a stimuli to internationalization. The choice of expanding abroad should never be groundless (Fintra, 2001, 9) and thus should always be based on a motivational factor. Most often profit is considered as the strongest motivator. However, profit isn't the only motive that drives companies abroad. For instance, many companies receive enquires and orders about their products from abroad, which could act as an initiator to begin expansion. The small size of the domestic market could make foreign markets seem appealing due to their larger customer base. Naturally, the saturation and decline in demand in the home country forces companies to expand abroad. Manager's interest in international markets could also act as an initiator for expansion. Also products that tend to be more seasonal could inspire producers to seek other markets to fill the gap of seasonality. High international competition might likewise attract companies to internationalize as international markets offer new opportunities, ways of doing business and new kind of innovation forcing companies to keep up with the changes in product development, marketing and technology schemes (Fintra, 2001, 9).

3.2 Dissemination of motives and factors in internationalization

In his book, *Global Marketing – a decision-oriented approach*, Hollensen categorizes the motivational factors into two different motivation groups called proactive and reactive (Table 2) motives.

Table 3. Motives for internationalization
(source: Hollensen, 2004, 31)

Proactive motives	Reactive motives
Profit and growth goals	Competitive pressures
Managerial urge	Domestic market small and saturated
Technology competence/unique product	Overproduction/excess capacity
Foreign market opportunities/market information	Unsolicited foreign orders
Economies of scale	Extend sales of seasonal products
Tax benefit	Proximity to int. customers/psychological distance

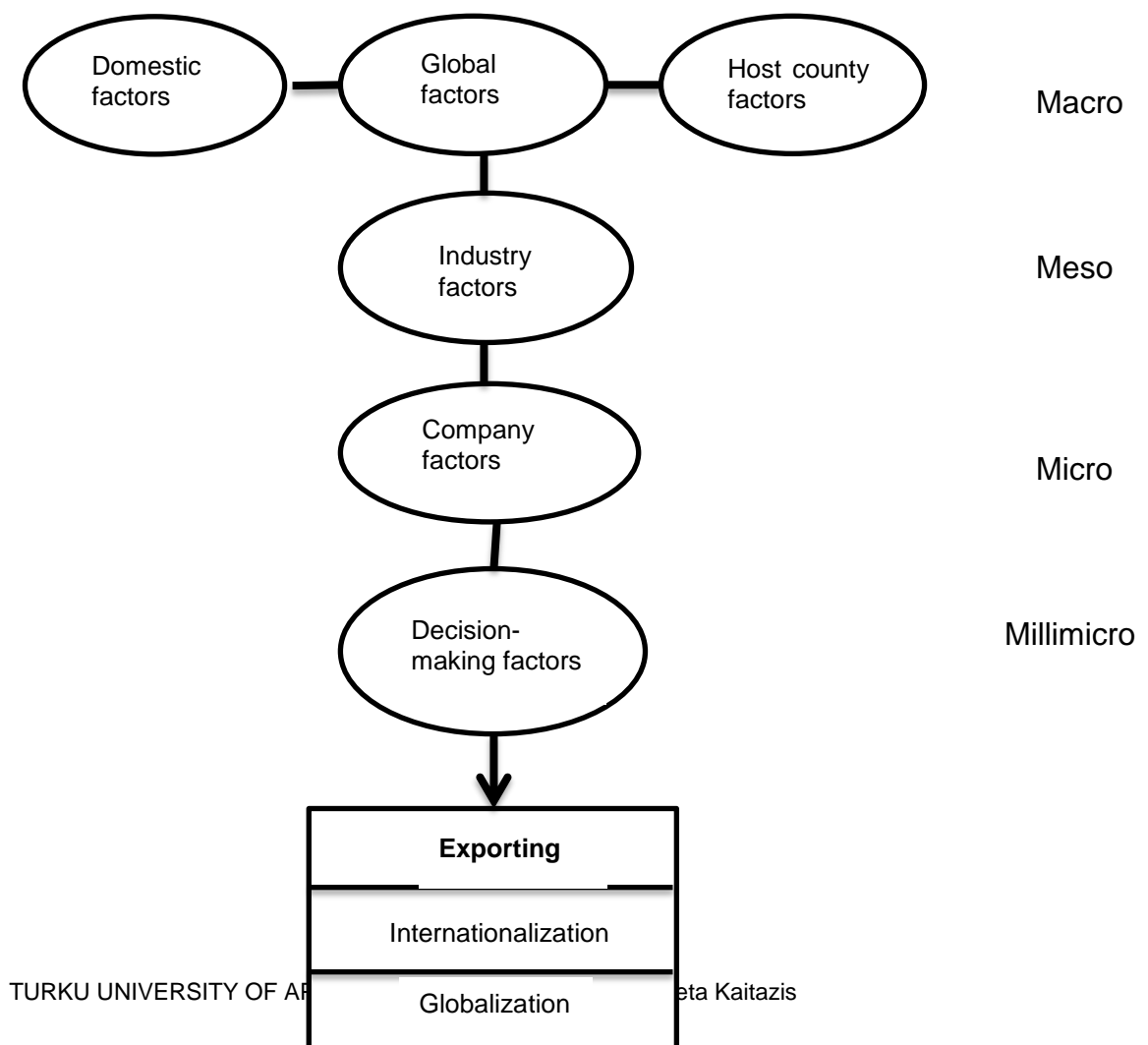
The **proactive motives** of internationalization represent the internationalization drivers that arise from within the company. These factors encourage the company to seek for new markets, as they have developed valuable assets worth exploring in international markets. Most of the motives are clear and can easily be understood what it means, although some require to be defined more precisely in order to avoid misunderstandings. Economies of scale as a motive means that a firm is increasing its output in order to lower its productions costs, making the firm more competitive both domestically and internationally. Tax benefits simply refer to how countries like for instance Unites States assists exporters by giving certain tax (Hollensen, 2004, 34). **Reactive motives** on the hand can be described as the passive actions made to respond to changes in the competitive environment. Some companies might receive enquires about their product from abroad, some might find the domestic market to be too small

or the product is reaching its end of its life cycle there. Also if foreign markets are seen as relatively close to export to it will act as an encouragement for companies to begin exporting there.

Proactive motives tend to be the usual reason for expansion when it comes to larger companies (Hollensen, 2006, 36). Small and medium-sized enterprises on the other hand are more cited to reactive motives, as the competitive environment tends to put expansion pressures – this also applies to companies operating in the field of biotechnology. Finland is a rather small market to offer high customer base for biotechnology companies.

The most common motive, according to Hollensen, to internationalize for Finnish small and medium-sized enterprises was found to be the management's interest in internationalization, foreign orders and inadequate demand in the home country (Hollensen, 2004, 35).

Figure 3. Factors influencing exporting, internationalization and globalization (Adapted from Luostarinen in Seristö, 2002, 3)



Another way to look at the motives and reasons for internationalization is to categorize them by the external and internal factors affecting the company. The external factors can be classified into macro and meso factors, while the internal factors are micro and millimicro factors (Figure 2 above).

Macro factors constitute of three different influential elements: global factors, home country factors and host country factors (Luostarinen in Seristö, 2002, 28). The ease to make business internationally due to improved traffic communication, faster information, communication channels; the internationalization of customers and the growing number of integrated areas are some of the **global factors** that motivate companies to internationalize. **Home country factors** on the other hand are macro factors that derive from the home country, for instance the size and openness of the market, location and lack of certain factors of production (Luostarinen in Seristö, 2002, 29). Similarly, **host country factors** affect the motivation of companies to internationalize there in the foreign country. They are also called pull-factors (Luostarinen in Seristö, 2002, 31). They are similar to the home country factors except they are pulling companies towards entering their market by being larger, more open and presenting more opportunities.

A study done in 2007 by Leväsluoto about the internationalization of biotechnology companies in Tampere shows that internationalization in the field of biotechnology almost always derives from within the company (Leväsluoto, 2007, 41). The small domestic market of Finland pushes companies rather quickly to search for more clients abroad.

Another study, conducted by Pietilä, that looked at the internationalization of SME's discovered as well that the most common reason for Finnish enterprises to internationalize is the small national market of Finland, which can even be non-existent to some enterprises (Pietilä, 2007, 33).

Industry specific factors are factors that either facilitate or complicate the internationalization of companies (Luostarinen in Seristö, 2002, 33). Some industries are more competitive than other since some have more competition

due the quantity of firms in the market. The field of biotechnology is very research-based field.

Company specific factors are for instance benefits arising from specialization, technology and integration (Luostarinen in Seristö, 2002, 34). These are the factors that usually tend to motivate companies to internationalize. Also the size of the firm, business experience and organizational culture (Ekeledo & Sivakumar, 2004, 68) are factors that either facilitates or difficult internationalization. Biotechnology companies can benefit from their international partners as they co-operate in various projects (Leväsluoto, 2007, 24)

Decision-making factors derive from how the decision-makers in the company perceive internationalization. If internationalization is seen as a huge risk by the decision-makers then most likely the company will not take any actions towards that direction. On the other hand, if the decision-maker has experience from abroad, he or she might be more open to internationalizing.

Äijö (2001) comments that the small size of the domestic market and the impression of higher demand and better business opportunities abroad are the main motives for internationalization for Finnish companies. Finland is a small country and thus there's a limited amount of consumer and users for products, especially products that are designed to fulfill the needs of a niche market. This way the Finnish market might prove to be way too small for a company to reach its full profit-potential. Thus both industry and host-country specific factors contribute to the internationalization of Finnish companies.

As seen from previous studies home-country and industry factors play a big role in the desire of Finnish companies to begin internationalizing. Thus according to the previous researches, Finnish companies tend to be more reactive in the internationalization process than proactive, even though there are signs of proactivity as well. This means that Finnish companies have found the motives to internationalize from within the company instead of forcefully responding to the changes in the market.

3.3 The methods of internationalizing

This subchapter looks into the various methods of entering into a foreign market. It explains modes varying from minimum commitment to methods that require large resources.

3.3.1 Market entry modes

A market entry strategy is a plan of methods for delivering goods and services to the target market and distributing them there (Geetanjali, 2010, 175). The decision of the entry mode is crucial as it affects the overall performance of company in the host country. Their significance is highlighted as the company increases its exports, internationalizes and becomes global (Gabrielsson & Luostarinen in Seristö, 2002, 97). An inappropriate market entry mode may result in major financial losses, lost opportunities and limit the range of strategic options (Ekeledo & Sivakuvar, 2004, 68).

There are several different modes to choose from, which can be separated by the amount of commitment to the internationalization process. Resources, goals, the characteristics of the foreign market and the quality of the product all affect the choice of market entry (Larimo & Kontanen in Johansson & Vahvaselkä 2010, 61). Internationalization modes can be divided into 4 different categories: indirect export modes, direct export modes – which can sometimes be categorized into a single category called export-based modes, but in this study they have been separated - non-equity-based modes and equity-based modes. Indirect export modes are the simplest way to internationalize and require a limited amount of commitment while equity-based modes demand big investments from the company. Whichever mode the company decides to go with depends on the product/service, distance of the target market and available funding, just to mention a few.

According to previous studies for instance by Äijö (2011) Finnish companies internationalize to foreign markets mostly with the simplest forms of

internationalization. This includes mostly indirect forms of exporting. Only the largest companies in Finland have foreign subsidiaries abroad. To be noted is that most of the Finnish companies internationalizing today are SME's and thus are lacking of resources and other contributing factors that don't allow them to use more complex and demanding forms of internationalization. This is also true for most biotechnology companies in Finland. Most of them are small in size and thus lacking the funds to use more demanding market entry modes. As mentioned before the most multifaceted ways to internationalize require huge resources, making them an unrealistic option for small to medium-sized enterprises to execute. This also applies to the even smaller Finnish companies entering the American market.

Leväsluodo's study (2007) shows that biotechnology companies from Tampere chose as their market entry mode usually traditional methods like direct exporting but also licensing was a fairly used method.

3.3.2 Indirect export modes

Indirect exporting means that a third party, usually a domestic middleman based in the home country of the company, takes care of the exporting. This means that the manufacturing of the product is done in the home country while the marketing is done in the host country (Gabrielsson & Luostarinen in Seristö, 2002, 105). Put in other words, indirect exporting happens when a firm does not itself undertake any special international activities but rather operates through intermediaries (Wall & Rees, 2004, 35). Indirect export modes can be categorized into five different methods and ways to begin exporting: export buying agent, broker, export management company, trading company and piggyback.

Export buying agent is a foreign agent who lives in the manufacturer's home country and acts in behalf of a foreign body. The export-buying agent contacts companies whose products comply with the requirement of the foreign buyer.

The agent takes care of the exporting, marketing and distributing of the product abroad. From the company's point of view this is the easiest way to start exporting, as it prompt payments are assured and the physical movement of products is done by the agent (Hollensen, 2006, 294). The foreign buyer pays a commission to the agents and thus from a companies perspective it is selling to a domestic client. The downside of an export-buying agent is that the manufacturing company has no control over how the product is marketed abroad.

Broker's main task is to bring together a buyer and a seller (Hollensen, 2006, 295). The broker usually acts on behalf of a foreign buyer and thus seeking for companies who best match the requirements of its client. The broker takes care of the contractual agreements but the products don't pass through him/her.

An **export management company** and a **trading company** are two very similar bodies in terms of their role in the indirect exporting – both are exporting in behalf of the producer.

Piggybacking means that a smaller company, who yet doesn't have any international activities, rides along with a bigger company, who's already experienced in foreign trade and already operates in a foreign market. This is done usually with companies and products than compliment the larger companies product and are by no means competing with one another.

These modes suit best companies that are in the beginning of their international activity because it's the simplest method and comes with the least amount of risk (Gabrielsson & Luostarinen in Seristö, 2002,105). The biggest advantage of this type of export mode is that there's no cost involved and companies don't need large resources or experience to internationalize. On the other hand, indirect exporting allows little control to the manufacturing companies and it is rarely aware of the changes in customer tastes overseas as it is not in contact with the end consumer.

3.3.3 Direct export modes

In direct export modes a foreign dealer acts as a middleman and takes care of the exporting. Just like in indirect exporting the products are made domestically with the difference that even though a foreign intermediary is marketing the products, the company is more involved in the distributing and selling of their product. One of the most significant benefits of direct exporting is that the company gets closer to the clients abroad since the information received to the foreign intermediary is more up to date than for instance from a middleman from the home country (Äijö, 2001, 94).

Distributors on the other hand purchase the product to themselves and are reselling it in their own country. In other words, the distributor is the final costumer of the company and it get the sole ownership of the product and thus is able to resell it forward.

An **agent** acquires and delivers enquires, calls for offer and orders to the principal (FINTRA, 2001, 26), in this case to the exporting company. The agents act in the name of the principal and they receive a commission for their every successful business deal. The principal takes care of the orders and delivers the products independently.

The main difference between a distributors and an agent is the distributors is always the company's final client while an agents only acts as an intermediary between companies. The advantage for using direct exporting, as a way to begin internationalizing is that a company tends to have more control and is more aware of the changes in the market. Naturally, more commitment is required to pursue this type of mode.

3.3.4 Non-equity-based modes

Non-equity-based modes differ from the indirect and direct export modes, as they involve internationalizing by investing into a foreign country. Licensing and

franchising are the two variations of this type of mode. Shortly, the idea behind non-equity-based modes is to sell the right to manufacture or sell the product in question in another, foreign market. The licensor is paid with royalties, which are running percentage royalties based on the amount of sales. It does require large foreign direct investments to the host country. The main difference between the modes lies in the focus on each mode, licensing focuses on the manufacturing of the product while marketing is the main focus of franchising.

In a **licensing** agreement the owner of the license allows a foreign buyer to access the company's know-how in product manufacturing in terms of patents. It offers companies a chance to focus on their core competence whilst leaving the manufacturing and marketing to the foreign licensee's hands (Gabrielsson & Luostarinen in Seristö, 2002, 107). Thus, the licensee buys the right to exploit a fairly limited set of technologies and know-how from the licensor, who has usually protected the intellectual property right involved by a patent, trademark or copyright (Wall & Rees, 2004, 39). This mode is suitable for companies who have limited resources and thus are unable to fund their own sub-unit abroad but are interested in expanding their business abroad, making it a low-cost strategy for internationalization (Wall & Rees, 2004, 39). Likewise in indirect and direct exporting, it is crucial to find the right partners as some might have a secret agenda and their a risk of training a new competitor (Gabrielsson & Luostarinen in Seristö, 2002, 108). With the right partner, the licensee can benefit from the local experience the licensor has and thus have a better understanding of the needs and demands of the local customer.

Franchising on the other hand indicates that the business idea and marketing concepts are being sold to a foreign franchiser (Gabrielsson & Luostarinen in Seristö, 2002, 108). Hence, the franchisee buys the right to act under the name of the franchisor. Usually the franchisor offers assistance and guidance to start-up the operations. Sometimes, this can be incredibly time consuming as training might take a long time to be executed. In this mode the way the possible product is being sold, or in other words, the service the customer get when it is purchasing a particular product becomes important because rebuilding from a

bad reputation can be extremely hard for a company to do and succeed. Thus when franchising, it is crucial to choose the right partner as the products are being sold under the name of the franchiser and thus really it is really important who represents it.

Franchising requires little direct investment and it gives a higher degree of control (Wall & Rees, 2004, 40) making it a very tempting mode to internationalize to companies how have can't afford their own subsidiaries just yet.

3.3.5 Equity-based modes

Equity-based modes can be also classified as foreign direct investments to the host country. They are also called subsidiaries, which always require capital investment. Equity-based modes are the most demanding modes out of all of the entry modes but they also come with the greatest level of control over its proprietary information and profits doesn't need to shared (Wall & Rees, 2004, 41).

Joint venture is a partnership of two or more companies who are located in different countries (Hollensen, 2006, 318), one which is nevertheless located in the host country, but are looking into sharing company holdings and thus are having similar goals. Joint ventures involve creating a new identity – a new firm – in which both the initiating partners take active role in formulating strategy and making decision (Wall & Rees, 2004, 41). This allows companies to share the risk and the cost of investment (Hollensen, 2006, 318), making it an attractive option for companies wanting a quick market entry. There are two types of joint ventures: specialized and shared value-added (Wall & Rees, 2004, 41). In specialized joint ventures both of the participating companies bring in a different competence that the other one doesn't have, therefore both companies have their own specialty which function they are responsible in handling in the joint venture. Shared value-added joint ventures on the other hand, means that both

of the companies contribute the same function or value-added activity (Wall & Rees, 2004, 41). Some of the main benefits of joint ventures are the opportunity to learn from its partners quickly and economies of scale (Wall & Rees, 2004, 50). On the other hand, the disadvantages of this type of market entry mode strategy can be high founding costs, risk of failure is big and the investment could potentially pay itself back slowly (Jokinen, 2011, 33)

When a company purchases an existing company from the host country, it is referred to as **acquisition**. With the help of acquisition companies can quickly get an access to an already existing customers base and company reputation (Hollensen, 2006, 343). Some of the other benefits of using this type of market entry mode are the full control of resources and skills and quick market entry (2010, 65. Acquiring a firm from the host country is the most costly way to internationalize, as it requires a lot of investment. Sometimes even the most expensive way of internationalizing can go wrong as there are many risks involved. Sometimes the employees of the acquired company might not like the change and the new leading style of the company and in some cases might even follow the previous owner.

In 2000 FINTRA conducted a research that looked at the entry modes of Finnish companies to international markets. Most of the companies who replied to the survey were small to medium-sized enterprises. According to FINTRA's research the most used market entry mode for Finnish companies was indirect and direct exporting of products with a 72 percent, followed by the manufacturing of a foreign sale unit (38 percent) and the fourth most popular way of entering a foreign market was with a co-operation agreement (Äijö, 2001, 90) which includes modes like licensing, franchising Indirect export modes (Johansson, Vahvaselkä, 2010, 63) with 29 percent. 1-25 percent of the companies who replied to the research used other forms of exporting. Fintra's research might be something that could also be applied to companies in the field of biotechnology since most of the companies are relatively small in size.

4 RESEARCH APPROACH AND METHODS

This research aims at describing how Finnish biotechnology companies internationalize to United States by looking at what are the main motivators and ways to of going there. This study also aims at finding out whether there are significant differences in internationalization between companies within the same industry.

The research was conducted according to the research questions and the amount of resources available to deliver reliable results. This research is based on qualitative research. The material used is based on analytical interviews and on the evaluation of accepted theories. Quantitative research was also considered but it was soon discovered that it would require a huge contact list of biotechnology companies to sent questionnaires to that was not available to the researcher. Also companies nowadays tent to little unwilling to answer questionnaires sent to the by email. Even though it is known that qualitative and quantitative research can be used together in order to guarantee accruable results, this research will only focus on the qualitative quality only.

One of the advantages of using qualitative research is the fact that it gives a new perspective to previous researches, it provides rich descriptions of complex phenomena and it allows to track unique/unexpected events (NSW, 2006 [[referred to 31.5.2013□]).

Qualitative data is based on meaning expressed in words. Results are collected in non-standardized data requiring classification into categories and analyzed through the use of conceptualization (Saunders et al., 2009, 482). In qualitative research data is attained mostly through personal interviews especially designed to answers the research questions. Qualitative date refers to all non-numeric data or data's (Saunders et al., 2009, 480).

There are several types of interviews to choose from; there are highly formalized and structured or informal and unstructured conversations (Saunders et al., 2009, 320). Also interviews can be categorized into structured, semi-structured and unstructured interviews (Saunders et al., 2009, 320).Structured

interviews use questionnaires based on predetermined and standardized or identical set of questions (Saunders et al., 2009, 320). Semi-structured interviews on the other hand the interview are based on various themes and questions that will be covered but might vary from interview to interview (Saunders et al., 2009, 320).

Also primary and secondary data were used for more reliable results. Primary data refers data being collected through interviews done for a specific research, while secondary data is obtained from already existing data that were conducted for a different purpose.

4.1 Research design

In this study, qualitative research was carried out by conducting three interviews, which were done with Finnish biotechnology companies operating in the Turku-area and have business operations in United States. Only three companies were interviewed due to a hasten timetable to Finnish this thesis. The target group was selected randomly from all the biotechnology companies operating in the Turku area.

The interviews were conducted in Finnish since the mother tongue of representatives of the companies is Finnish

The interviews were constructed based on the 3 different themes:

1. Background information of the companies
2. Beginning of internationalization
3. Internationalization process
4. Future in United States
5. Tips for other Finnish companies

As known when conducting any sort of research the question of reliability always arises. Saunders et al. (2009) say that in relation to qualitative research, reliability is concerned with whether alternative researchers would reveal similar

information. The problem of reliability is solved by not trying to standardize the research but instead focusing on exploring the topic as much as possible, at the same time though notes are being retained about the research design and the reasons why specific strategy and methods were being used so that other researchers can referred to (Saunders et al., 2009, 328).

4.2 Pilot test

A pilot test was conducted in order to examine the clarity and understandability of the interview. The pilot test was send to family and friends to comment. A pilot test is a test done in order to spot any mistakes and limitations in ones interview questions. For instance in this research it was important to find out whether the questions asked provided an answer to the research questions.

The test-respondents were asked to answer the questionnaire and also respond to the following question;

- Did you find any of the questions incomprehensible/confusing?
- Were any of the questions irrelevant in your opinion considering the topic?

In addition, the author's supervisor was asked to review the interview format and provide feedback.

Some alternations were done to the interview based on the feedback received from the pilot test. Some more questions were added like for instance what are the company's main customers.

4.3 Data collection

The data used in this thesis was collected by interviewing 3 companies who operate in the Turku area and who have business operations in United States. The author interviewed the representatives of companies in person during a

period on two of week in March and April 2013. The data collected from the interviews are being analyzed in later chapter.

The interviews were semi-structured meaning that there were some differences between the interviews and even though most of the questions were asked from all the companies, the interviews varied a little context wise. The questions asked during the interviews varied from closed questions to open and probing questions. This was done to make sure as much information could be attained during the interviews.

The data was analyzed by comparing each company's answers to one another and spotting the difference and similarities the target group might have had. It is important to acknowledge that qualitative data can be analyzed in many ways. When using interviews for data collection, the most popular approach is to treat the data as descriptive of an external reality, such as facts or events; or internal experience, such as feelings or meanings (Silvermann in Mannfolk, 2012, 50)

The model-structure of the interviews can be found in appendix 1 and since the interviews were done in Finnish the questions asked in Finnish can be found in appendix 2.

4.4 Evaluation of the study

Since this study is based on a qualitative research the credibility, dependability and ability to conform are key issues challenged in this thesis. Usually quantitative research focuses on the reliability and validity, a qualitative research focuses more on credibility, dependability, the ability to confirm and transferability of the research (Lincoln & Guba in Lebeau, 2012, 39).

The credibility of a study means how credible or believe the results of the qualitative study is from the perspective of the participants (Research Methods Knowledge Space, 2006 [[referred to 31.5.2013]]. Thus the credibility of this study is high due to the fact the results of this research is based on

internationalization theories and theories behind internationalization motives and market entry mode choices that have been widely accepted in the academic studies of business and on the interview answers given by the participants.

Confirmability refers to the degree to which the results could be confirmed or corroborated by others (Research Methods Knowledge Space, 2006 [[referred to 31.5.2013□]). The dependability of the study arises from the selection of the companies. The companies were chosen from a specific group of companies which were operating in the field of biotechnology. Primary data collection was done using face-to-face interviews. The questions asked in the interviews were mostly predetermined. Also all of the interviews were recorded for future references. On the other hand secondary data was collected from books and Internet based sources before the interviews. Confirmability was attained through predetermined questions during the interviews. Since all of the interviews consisted of mostly the same questions based on theoretical framework, it was easy to confirm.

Transferability of a research on the other hand refers to the degree to which the results of qualitative research can be generalized or transferred to other contexts or settings (Research Methods Knowledge Space, 2006 [[referred to 31.5.2013□]). Since a thorough job is done to describe the context of this research, it can be transferred if wanted to another context as well.

This thesis will use secondary and primary data to analyze and describe the internationalization of Finnish biotechnology companies. Secondary data refers to sources like books, journals etc., while primary data is attained from reports, thesis's and scientific articles.

5 FINDINGS

The aim of this study was to research the internationalization of Finnish biotechnology companies to United States. The research took a look at the motives of going to the U.S. and how Finnish biotechnology companies entered the market.

During this research 3 companies were interviewed: Pharmatest Oy, HyTest Ltd and Hidex. All of the companies operate in the Turku area and are one way or the other operating in United States.

Pharmatest is a contract research organization that is specialized in clinically predictive preclinical efficacy services (Pharmatest Oy 2013 [[referred to 27.3.2013□). In other words, the company conducts researches to find out whether or not a certain medicine is appropriate for curing a certain disease. The company was founded in 1998 as a spin-off company. They are a B2B company whose main clients are so called international big pharmas and midsize pharmas who develop various kinds of medicine. The client base in Finland is rather non-existent for the company. The company currently employs 14 persons and had a revenue of approximately 1,1 million euros last year (Rissanen, 25.3.2013). The company receives 70-90 % of their revenue for exports. One fourth of the company's export comes from United States.

Hidex started its operations in 1993. It is a supplier for high technology products such for life science research, biotechnology and environmental monitoring (Hidex 2013 [referred to 24.4.2013□) For instance the company provides equipment for measuring light that can be used for various cell research. The company's revenue last year is valued at 3,5 million euros while it employs 10 people in Finland and globally approximately 35 people in the Turku region (Haaslahti, 15.4.2013). Hidex most important clients are companies from international medical industry. In the life-science sections their customers are universities, private research companies, start-up and contract research organizations.

HyTest was founded in 1994. It is marketing and producing high-quality immulological reagents. The company has around 50 employees worldwide while its revenue last year is said to be 13 million euros (Lehikoinen, 16.4.2013). HysTest clients consist of IVD-companies (in vitro diagnostic) who produce laboratory tests and diagnostic products.

As seen from the data all of the companies interviewed can be categorized as either small or medium-sized enterprise according to European Commission's definition of SME's. The companies employ from 14 to 50 employees and had a turnover from 1,1 million euros to 13 million euros. HyTest can be categorized as a medium sized enterprise while Hydex and Pharmatest are small-sized enterprises.

As seen, the companies varied in size quite a bit although all of them can be described as small businesses. Still, between the companies there is a significant difference between possibly available resources.

5.1 Internationalization of Finnish biotechnology companies

All of the companies can be categorized as Born Globals since all of them reported to have internationalized almost immediately after their founding. None of the companies used traditional internationalization paths. All of the companies started international operations within couple of years of their founding. Thus, it can be concluded that biotechnology companies usually begin their internationalization very quickly and can be tend to follow modern internationalization pathways. This was based to the fact that all of the companies began internationalizing either immediately or very soon after their founding, which is one of the main characteristics of Born Globals, which is a modern internationalization pathway.

Pharmatest began operating locally with couple of contacts and later on when the company started expanding, they moved towards foreign markets. The company did their first foreign project before 2001. Then their costumers where

mainly countries located close to Finland, namely Germany, and later on it has started expanding further. The company did their first project to United States very early in their business life. Pharmatest had perhaps the most traditional way to internationalize since they began their expansions from countries close by to Finland. They have a huge customer base established in Europe and are on the move to conquer Asia.

HyTest began their operations in United States very quickly after the companies founding and United States was one of the first countries the company internationalized (Lehikoinen, 16.4.2013). Later on the company has expanded to various other country and has two offices outside Finland, one in Moscow, Russia and another in China.

Hidex internationalized within two year of its founding. The market in Finland is was so small and the internationalization began immediately (Haaslahti 15.4.2013). United States along side with Europe and Russia were some of the countries the company first started doing business in.

All of the interview companies said United States has played a huge role in their business operations. All of the companies accounted their revenues from there to be over 40 percent.

An surprising point of view was shared by two of companies, Hidex and HyTest: both of them agreed that United States is an important market for their industry but also saw a lot of potential in other countries. Hidex's Ville Haaslahti pointed out that perhaps in the future there will be a decline in the importance of United States as growing nations like Brazil and Japan are becoming more important. HyTest's Jukka Lehikoinen shared the same view: he said even though United States is their biggest market, other countries like China have shown tremendous growth potential which is why the company has put a lot of effort into the Chinese market.

5.2 Motives to internationalize to United States

According to the research companies whom are operating within a small niche or market segment are most likely to internationalize due to reactive motives. Pharmatest Jukka Rissanen says that their company had to internationalize very soon after it's founding due to the fact that most of the customers are located abroad. Haaslahti and Lehtikainen stated the same. Lehtikainen from HysTest said that companies within this industry they are operating in don't really have any other option than to internationalize – they either internationalize or don't exist at all.

Also Hidex's Haaslahti said their company internationalized quickly after they started their production. The company's biggest motive to internationalize was the small size of the home market. And likewise to the other companies Haaslahti said Hidex didn't have any other option that to internationalize.

Pharmatest's idea to internationalize came from the awareness that there is a global need for such services the company is offering. Rissanen says that this type company could not have been developed only to operate in the home market. The company operates in a niche market where internationalizing was the only option.

As explained in section 3 companies have various reason why they want to internationalize, they can be either reactive or proactive.

As perhaps predicted all of the companies stated their motive to internationalize to be the smallness of the home market. A small market usually drives companies with a small customer base in their home country to quickly expand their operations to other countries as well.

5.3 Market entry mode choices of Finnish companies

The most interesting finding of this thesis is about the market entry mode choices the companies have made. It was interesting to notice that all of the

companies operate in United States in completely different ways. The market entry methods varied from direct exporting to having subsidiaries in United States. The size and resources available didn't matter when it came down to picking the right market entry mode since the smallest company used perhaps the most demanding market entry mode even though it would have been expected otherwise. Thus, it was an interesting discovery that companies who might have had more resources to use actually used the least resource-demanding mode and vice versa. What has to be noted was the both Pharmatest and Hidex stated that if resources weren't an option they would have their own offices in United States years ago (Rissanen 25.3.2012 & Haaslahti 15.4.2013)

For instance, Pharmatest began their operations in United States by operating from Finland. They had a sales and marketing manager who travelled to United States selling their services. Thus using a direct exporting mode. Last year the company did a big strategic change when they did a consulting agreement with agents from various countries. Finpro was one of the agents who operated in United States. Finpro acted as a middleman by taking in enquires and forwarding them to Pharmatest in Finland. Recently the Pharmatest came to realize that they needed to be present at the market if they want to increase their market share in United States. Thus the company started building their office space in Boston, Cambridge. The office in United States currently employs one person who is dedicated to making contacts and selling their services.

Hidex on the other hand has distributors from which the company gets most of their clients. In United States the company has a distributor who also have products of their own and also sells Hidex's products. Also the company's website is a source of marketing and a way to get in touch with the potential customers. The company participates in different trade shows and uses internet marketing methods to promote their products. The company takes advantage of their current customer base by staying in touch with their older clients and making new contacts through them (Haaslahti, 15.4.2013). The company didn't

consider any other modes are their market entry mode. Using distributors was a known way to internationalize which was the main reason why this market entry mode was chosen. The company said this mode was the less risky one when compared to others even though there have been problems. The company says that OEM-contracts have also been made.

The most interesting discovery of the study was that the biggest company interviewed used direct export mode and didn't see the company needed to be physically present in United States while the smallest of the three used the most demanding form of entering a market and doing business there.

HyTest, which was the biggest company, interviewed, uses distributors and also does direct sales on their own in United States (Lehikoinen, 16.4.2013). In the last 10 years the company has tried to lower the amount of distributors used and increase direct sales with end-customers (Lehikoinen 16.4.2013). The company has operated with this mode in United States from the very beginning they started doing business there.

Lehikoinen said HyTest has multiple times discussed within the company if they should be physically present in United States and time after time they have come to the same conclusion that they don't need to. Lehikoinen says that based on the cost effect the company doesn't see they would get more value by being physically present in United States. The mode they have been operating with has worked out well for them. Lehikoinen makes annual trips to United States visiting old and potential costumers. HyTest also participates in trade shows and does road trips around the country promoting their company.

All of the three interviewed companies have internationalized to United States differently. There is as many ways to internationalize, as there are companies. What should be kept in mind while reading this thesis is that based on this study no generalizations can be made on what are the motives for internationalizing and what are the main market entry modes companies choose to operate with in United States. Also since all of the companies, which were interviewed, had

chosen a different market entry mode a general conclusion of what type of entry modes are used by the Finnish biotechnology companies cannot be stated.

Perhaps the biggest difference seen compared to previous studies done was the seen difference in the market entry modes used by the companies. Previous study show that on average most of the biotechnology companies tend to internationalize to United States by using simple market entry modes like direct exporting. This study showcased perhaps the variety of different options and different ways of going about entering a market.

Find below a summary (table 4) of all of the key finding discovered in this thesis. Table 4 can also be used to cross-compare the companies to one other.

Table 4. Summary of the key findings

	Pharmatest	Hidex	HyTest
Foundation year	1998	1993	1994
Number of employees	14	35	50
Approx. turnover in 2012	1,1 million euros	3,5 million euros	13 million euros
How fast after the founding of the company, the company internationalized?	Within 2 years after the founding of the company	Immediately	immediately
Where did you internationalize first?	Europe	Europe	Europe and United States
Why did you internationalize?	Too small home market	Too small home market	Too small home market
Where did the idea to internationalize	Board of Directors	Owners of the company	Board of Directors

came from?			
Market entry mode?	Direct export mode: agents Later: equity-based mode: office	Direct export mode: foreign distributor	Direct sales: own sales representative
Has your market entry mode changed during the years	Yes	No	No

6 CONCLUSIONS

The aim of this chapter is to combine the findings from the theoretical literature and qualitative research results and to establish a clear understanding of these two. Suggestions for further research will be presented at the end of this chapter.

This thesis firstly defined the concept of internationalization. It was concluded that the meaning of internationalization has changed throughout the years. Even so, this thesis used the definition of xx to describe the connotation of internationalization.

The theoretical framework continued by looking into the various internationalization theories that exist. Thus the first of part of the sub-questions attempted to outline how Finnish companies internationalize. The theoretical framework gave three example of how a company can internationalize to foreign markets. Companies can either internationalize through the traditional paths or it can use more modern ones. Based on the qualitative data retrieved the internationalization theory of Born Globals was supported. The Finnish biotechnology companies were conclude to be Born Globals, which meant that the Finnish biotechnology companies don't follow traditional paths of internationalizing but instead begin active international actives very soon after they are founded.

As seen from the theoretical framework, companies tend to have various motives to why they want to internationalize and begin international activites abroad. It was argued that Finnish biotechnology companies tend to internationalize due to the small size of the Finnish home market which is a reactive motive. Other sources claimed that Finnish companies in general internationalize because of a managerial interest, a proactive reason. The research done in this thesis supported both of the arguments. All of the companies interviewed said that their main motive to international was that there aren't enough costumers in Finland and that most of the costumers are abroad, especially in United States. Since the home market was seen as small,

all of the companies directed their activities abroad. Also, the interviews revealed the motive to go abroad was not only depending on the small size of the home market but also on the founders urge to internationalize. It was noticed that all of the founders initiated their company with an idea to do business internationally. Thus the motive for Finnish biotechnology companies to internationalize can be said to be proactive and reactive. The later one was highlighted more though during the interviews. Also the theoretical part of this thesis gave other alternative motives to internationalize than the classical proactive and reactive ones. Finnish companies are very more motivated to internationalize due to external factors, like the home country factors, which is one of the macro factors influencing internationalization. This statement is supported by Äijö's (2001) study on Finnish SME's.

The possible market entry modes revised in the theoretical framework showed there are various different modes to choose from. Companies have the option of choosing inexpensive and low involvement requiring modes like indirect exporting. Equity-based modes were seen as the most resource demanding and most complicated one. As seen from the theoretical framework, biotechnology companies were thought to use simple methods to internationalize, mostly indirect and direct export. This was also supported by other studies which showed that Finnish companies in general tend to internationalize using the most simplest modes. The research on the other hand relieved mixed results. The study showed that there are as many market entry modes used, as there are companies. None of the companies used the exact same mode. The study also showcased the market entry mode chosen was not depended on the resources available. The smallest company interviewed used the most complex market entry mode but building their own offices space in United States. The other companies didn't see the need to be physically present in the American market. The results of this study showed little different results than what previous studies have shown. Leväsluoto's study claimed that Finnish biotechnology companies from Tampere use mostly direct exporting when they internationalize while this study partly gave the same result, one third of the companies used a different mode, more precisely a sales subsidiary.

What has to be noted is that the mixed results are probably due to the low number of companies interviewed in this thesis.

Two of three companies have stuck to the original market entry mode they first came into the market of United States. Pharmatest was the only company who changed its operation mode drastically.

Overall the results of this thesis were supported by the theoretical framework and in general no outstanding or surprising results appeared.

6.1 Critical evaluation

As pointed out earlier, this thesis is too narrow to make any reliable results. Due to the low number of participants, there can't be made any generalization of the motives and market entry modes choices of the firms. Even so, this thesis can be used for guiding purposes. In other words, this thesis can be said to give an idea of what could possibly be the motives for Finnish biotechnology companies to internationalize. Again, since all of the companies who were interviewed used different market entry modes, not even directional conclusion cannot be made of what is the most popular market entry mode.

The thesis topic was also very ambitious to be fully be executed with such a limited time frame and resources. Also, even though interviews are a good way to gather information and companies tend to be more willing to take part in them, a questionnaire would have been a lot better alternative to gather the same information in a shorter period of time. Thus perhaps a quantitative data collection method could be a better option for the future studies in this area. Although what has to be remembered is that companies nowadays are more reluctant to answer questionnaires sent to them by email. Therefore there needs to be a larger contact list of companies so that enough data will be collected.

6.2 Further research suggestions

Even though this research was able to give a good guidance to the internationalization of Finnish biotechnology companies, there are various issues that were not discussed in this research due to time limits and budget restrictions.

Firstly, this research could be further expanded by looking at the internationalization of Finnish biotechnology companies to United States from various different aspects. One could look at other internationalization theories, what are the barriers for a Finnish biotechnology company to internationalize to United States, the market of United States could be analyzed a lot further.

In addition to the above, an analysis of the American market could give a larger picture of how different and similar the two nations are. Also a comparison of the business environments of Finland and United States could give a better understanding of why Finnish companies have so well succeeded there.

This thesis could be developed further by interviewing more companies. Approximately 10-14 companies should provide reliable results. Also if there are enough resources and more time available, a questionnaire to all of the Finnish biotechnology companies in Turku could provide more exceptional results.

SOURCE MATERIAL

Antoncic, Bostjan – Hisrich, Robert D. – Ruzzier, Mitja (2006) SME Internationalization research: past, present and future. Journal of Small Business and Enterprise Development Vol. 13 no. 4. 467-492

Axinn, Catherine N. & Matthyssens, Paul (2001) Limits of internationalization theories in an unlimited world. International Marketing Review Vol 19 No. 5 443

Biotechnology Industry Organization, 2013. Online, referred to 12.4.2013. Available on the web at <http://www.bio.org>

Bioteknologia info. Online, referred to 12.4.2013. Available on the web at <http://www.bioteknologia.info>

Communicaid, 2009. Online, referred to 1.6.2013. Available on the web at <http://www.communicaid.com/access/pdf/library/culture/doing-business-in/Doing%20Business%20in%20the%20USA.pdf>

Ekeledo, Ikechi & Sivakumar, K. (2004) International market entry mode strategies of manufacturing firms and service firms – a resource-based perspective. International Marketing Review Vol. 21 No. 1 68-96

European Commission 2013. Online, referred to 28.5.2013. Available on the web at <http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/>

Finnish Customs 2011. Online, referred to on 26.2.2012 Available on the web at http://www.tulli.fi/fi/suomen_tulli/ulkomaankauppatilastot/tilastot/index.jsp

Fintra. (2001) Vientiopas (11th ed.). Helsinki, Yliopistopainos, 9-21

Geetanjali (2010) International Marketing. Jaipur, Global Media 175

Haahti, Antti J., Hall, Graham J., Donckels, Rik. (1998) Internationalization of SME's: The interstratos project. London, Publisher Routledge 19

Heiskanen, Katja. (2006) Internationalization of Finnish small and medium-sized enterprises towards the new EU-states in the Baltic Sea region – a focus on SME's based in Southwest Finland. Online, referred to 13.03.2013. Available on the web at http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/Heiskanen_42006.pdf

Hidex 2013. Online, referred to 24.4.2013. Available on the web at <http://www.hidex.com/>

Hytest 2013. Online referred to 19.5.2013. Available on the web at <http://www.hidex.com/>

Hollensen, Svend (2004) Global Marketing – a decision-oriented approach (3rd ed.) Essex, Pearson Education Limited 2-68

Johansson, Linda & Vahvaselkä, Irma (2010) Uusia kansainvälistymismalleja etsimässä – Tapaustutkimus kansainvälistymisstrategioista ja –poluista. Vantaa, Edita Prima Oy. 23-63

Jokinen, Jarkko (2011) Kohdemaakarkoitus ja operaatiomuodot – Case: Kemppi Oy, Vietnam. Lahdi, Lahden ammattikorkeakoulu 33

Kotilainen, Markku – Kaitila, Ville – Nikula, Nuutti – Suni, Paavo (2009) Suomen ja Yhdysvaltojen väliset taloussuhteet (1st ed.) Helsinki, Taloustieto Oy 75

Leväsluoto, Johanna (2007), Bioteknologiayrityksen kansainvälistyminen, Tampere University of Applied Science 8-41

Mannfolk, Niklas (2012) Drivers behind the internationalisation of the defence business – perspective of some Finnish experts. Turku School of Economics 50

Matlay, Harry (2006) Critical Perspective on the internationalization of SMEs. Bradford, Emerald Group Publishing Ltd. 476-479

NSW PHC, 2006. Powepoint. Online, referred to 31.5.2013. Available on the web at http://www.nswphc.unsw.edu.au/pdf/ShortCourseApr2007/Writing%20up%20qual%20findings_April%2007_VT.pdf

OECD 2005. Statistical definition of biotechnology. OECD. Online, referred to 28.5.2013. Available on the web at <http://www.oecd.org/science/inno/statisticaldefinitionofbiotechnology.htm>

Phramatest. 2013. Online, referred to 27.3.2013. Available on the web at <http://www.pharmatest.com/en/company>

Select USA 2012. Online, referred to 12.4.2013. Available on the web at <http://selectusa.commerce.gov/industry-snapshots/biotechnology-industry-united-states>

Seristö, Hanna (2002). Kansainvälinen liiketoiminta (1st ed.) Vantaa, Dark Oy 3-34

Saunders, M.; Lewis, P.; Thornhill, A. (2009) Research methods for business students. Pearson Education Limited, Edinburgh gate, Harlow, Essex CM20 2JE 320-482

Research Methodos Knowledge Space, 2006.. Referred to 31.5.2013. Available on the web at <http://www.socialresearchmethods.net/kb/qualval.php>

TurkuSciencePark 2013. Online, referred to 12.4.2013 Available on the web at http://www.turkusciencepark.com/media/uploads/bioturku_yrityskatalogi_2012.pdf

U.S State Department 2012. Online, referred to on 4.3.2012. Available on the web at <http://www.state.gov/r/pa/ei/bgn/3238.htm>

Vaahtoranta, Antti (2011) Internationalisation of knowledge-intensive companies. Turku School of Economics 22-33

Vahvaselkä Irma (2009) Kansainvälinen liiketoiminta ja markkinointi. Helsinki., Edita 25-34

Vissak, Tiia (2013) The importance and limitations of the network approach to internationalization. Tartu, University of Tartu 7

Wall, Stuart & Rees, Brownwen (2004) International Business (2nd ed.). Essee, Person Education Limited 35-50

Whitelock, Jeryl (2002). Theories of Internationalization and their impact on market entry. International Marketing Review Vol. 19 no. 4. 342-346

World Bank 2012. Online, referred to on 5.3.2012. Available on the web at <http://www.data.worldbank.org/country/united-states>

Äijö, Toivo (2008) Kilpailukyky huippukuntoon: suomalaisyritys kansainvälistyy (1st ed.) Helsinki, WSOY 12-9

APPENDIX 1(Interview questions in English)

QUESTIONS

1. COMPANY BACKGROUND

- Field of business?
- When was the company founded?
- Last years revenue roughly?
- Who are your most important clients and how do you get them?
- Can I use your name and your company's name in my thesis?

2. START OF INTERNATIONALIZATION

- When and how fast after the founding of your company you began your internationalization process? Countries?
- Why did the company decide to internationalize?
- From where did the idea of internationalization came from?

3. INTERNATIONALIZATION PROCESS

- What market entry modes where you're options and why did you choose the one you chose?
- Did you use any of the services organization like Tekes, Finpro or Fintra provide?
- Has the company's strategy changed in United States?
- Did you hire more personnel when you internationalized to United States?

4. THE FUTURE IN UNITED STATES

- How important is the American market to your company now and in the future?
- Has the current economic situation difficult the business operations in United States?

5. TIPS FOR INTERNATIONALIZATION

- What is the future of Finnish companies in United States?
- What do you recommend as a preferred internationalization path?

APPENDIX 2 (Interview questions in Finnish)

HAASTATTELURUNKO

1. TAUSTATIEDOT

- Yritystiedot
 - Yritysala?
 - Koska yritys perustettiin?
 - Yrityksen liikevaihto viime vuonna (arvio)?
 - Kuinka monta henkilöä yritys työllistää?
 - Ketkä ovat teidän tärkeimpiä asiakkaita ja miten he löytävät yrityksenne?
 - Saanko käyttää nimeänne ja organisaationne nimeä opinnäytetyössäni?

2. KANSAINVÄLISTYMISEN KÄYNNISTÄMINEN

- Milloin ja kuinka nopeasti yrityksen perustamisen jälkeen kansainvälistyminen käynnistyi? Maat?
- Miksi yritys päätti kansainvälistyä?
- Mistä idea kansainvälistymiseen lähti?

3. KANSAINVÄLISTYMISSPROSESSI

- Mitkä operaatiomuodot olivat vaihtoehtoina ja miksi päädyttiin juuri siihen tiettyyn?
- Hyödynsikö yritys erilaisten organisaatioiden kuten Fintran, Tekesin, Finpron yms. Palveluja?
- Onko yrityksen toimintamalli muuttunut Yhdysvalloissa?
- Pitikö yrityksen palkata lisää henkilökuntaa aloittaessaan liiketoimintansa Yhdysvalloissa?

4. TULEVAISUUS YHDYSVALLOISSA

- Mikä on Yhdysvaltojen osuus/tärkeys yrityksen liiketoiminnassa nyt ja tulevaisuudessa?
- Onko nykyinen taloustilanne vaikeuttanut yrityksen liiketoimintaa Yhdysvalloissa?

5. YLEISTÄ

- Mikä on mielestänne suomalaisyritysten tulevaisuus Yhdysvalloissa?
- Suositeltava kansainvälistymisen tapa tai malli

